



## **Firm Brochure**

**Form ADV Part 2A**  
**Item 1 — Cover Page**

### **Dunham & Associates Investment Counsel, Inc.**

**SEC File No. 801-25803**

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**September 09, 2022**

This brochure provides information about the qualifications and business practices of Dunham & Associates Investment Counsel, Inc. If you have any questions about the contents of this brochure, please contact us at [compliance@dunham.com](mailto:compliance@dunham.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Dunham & Associates Investment Counsel, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Dunham & Associates Investment Counsel, Inc. is a registered investment adviser.

Registration of an investment adviser does not imply any level of skill or training.

## Item 2 — Material Changes

Dunham & Associates Investment Counsel, Inc. (“DAIC”) filed its annual update for fiscal year 2021 in March 2022. This publication of the Form ADV Part 2A contains highlights of the changes that have been made to this brochure since that time. Some of these items may be deemed material changes from our last filing.

- Dunham & Associates Investment Counsel, Inc., is changing the location of its principal offices and place of business:
  - Effective September 12, 2022, all references to 10251 Vista Sorrento Parkway, Suite 200, San Diego, CA 92121 are deleted and replaced with 6020 Cornerstone Court West Suite 300, San Diego, CA 92121.
  - Effective January 2023, all references to 6020 Cornerstone Court West Suite 300, San Diego, CA 92121 are deleted and replaced with 6265 Greenwich Drive 5th Floor, San Diego, CA 92122.

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## Item 4 — Advisory Business

Founded in 1985, Dunham & Associates Investment Counsel, Inc. (“DAIC”) is a private wealth management firm, registered with the SEC as an investment adviser and broker-dealer. DAIC is wholly-owned by Dunham & Associates Holdings, Inc. (“Dunham Holdings”), which also owns Dunham Trust Company (“DTC”), a Nevada Trust Company. As of December 31, 2021, DAIC, together with DTC, had approximately \$ 4.2 billion of assets under administration. Of that amount, DAIC had \$2.73 billion in discretionary assets under management and \$313 million in non-discretionary assets under management.

The principal owner of Dunham Holdings is Jeffrey A. Dunham, Chief Executive Officer of DAIC.

DAIC currently offers four types of advisory services: mutual funds, wrap programs, separately managed accounts (“SMAs”) and investment consulting services.

DAIC offers a proprietary family of sub-advised mutual funds (the “Dunham Funds”) that operate on performance-based advisory fees, commonly known as fulcrum fees. DAIC is the investment adviser to the Dunham Funds. DAIC selects sub-advisers based on its evaluation of their skills and investment results in managing assets for specific asset classes, investment styles and strategies. The investment objectives of the Dunham Funds range from current income to total return. The Dunham Funds represent unique asset classes and are available individually or as part of wrap programs.

DAIC sponsors two wrap programs: (i) the Standard Asset Allocation Program (“Standard Program”); and (ii) the Custom Asset Allocation Program (“Custom Program”) (collectively, the “Wrap Programs”). DAIC selects the Dunham Funds, or other mutual funds that are offered in the Wrap Programs. DAIC also determines the allocations and sector weights of the core asset allocation models (“Core Allocations”) for the Wrap Programs. Clients choose from the Core Allocations and/or any combination of eligible Dunham Funds available in their selected Wrap Program, representing different asset classes. The Standard Program features six Core Allocation models. The Custom Program allows clients to invest in any combination of the eligible Dunham Funds and/or Core Allocations. Clients may place reasonable restrictions, or make reasonable modifications to existing restrictions, regarding the management of their Wrap Program account.

DAIC provides SMAs for high net worth individuals. DAIC serves as investment adviser to the SMAs and tailors its investment advice to each client based on the client’s investment profile/objectives. The SMAs may invest in individual securities, ETFs and mutual funds, including Dunham Funds. Clients may place reasonable restrictions, or make reasonable modifications to existing restrictions, regarding the management of their SMAs.

To the extent specifically requested by a client, DAIC may determine to provide portfolio review and non-discretionary investment consulting services. Prior to engaging DAIC to provide stand-alone consulting services, clients are required to enter into a Consulting Agreement with DAIC setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client prior to DAIC commencing services.

In performing its portfolio review and investment consulting services, DAIC shall not be required to verify any information received from the client or from the client's other professionals, and it is expressly authorized to rely thereon. Moreover, each client is advised that DAIC's services do not include investment implementation or ongoing investment supervision, monitoring, or reporting services. If requested by the client, DAIC may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from DAIC.

## **Item 5 — Fees and Compensation**

### Dunham Funds

As investment adviser to the Dunham Funds, DAIC receives investment advisory fees from the Dunham Funds. Also, as distributor of Dunham Fund shares, DAIC may receive compensation in connection with the sale of the Fund shares. DAIC may receive all or a portion of these fees. These payments can be significant. This has the potential to create a conflict of interest, as it may provide an incentive for DAIC to recommend the purchase of the Dunham Funds rather than other similarly-situated mutual funds. This potential conflict of interest is addressed by DAIC through communications to, and training and supervision of, its representatives, and by providing disclosure to the client of specific conflicts as part of the documentation provided to each client at the time of sale.

Any fees that DAIC receives from the Dunham Funds or from investors in Dunham Funds, are disclosed in the Prospectuses of the Dunham Funds.

### Wrap Program Fees

Detailed advisory and expense fee information about the Wrap Program is available in the Wrap Fee Program Brochure (Wrap Brochure). The Wrap Brochure is provided with this brochure and is prepared specifically for prospective and current participants in the Wrap Program.

### SMA's

For SMA's, DAIC's actual advisory fees, minimum fees and minimum account sizes may be negotiated and may vary due to a variety of factors, including the particular circumstances of the client, specific investment strategies mandated by the client, account size, or as otherwise may be agreed with specific clients. As a result, DAIC may offer certain clients lower fees than other clients.

The specific fees that DAIC charges an SMA client are set forth in the client's written investment management agreement with DAIC. DAIC generally bills its advisory fees on a quarterly basis in arrears unless otherwise stated in the written management agreement with a client. Clients also may be billed directly for fees or authorize DAIC to directly debit fees from client accounts. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any earned, unpaid fees will be due and payable.

Total fees charged to a SMA client range from 0.25% to 1.00%. A portion of this fee may be paid by DAIC to DTC for providing custody and portfolio accounting services to SMA clients who elect such services. DAIC compensates DTC for its services under a professional services agreement.

Participation in an SMA may cost a client more or less depending on the circumstances. For example, if there is heavy trading activity in a SMA, the advisory fees may cost the client less than if the client were charged brokerage commissions for each trade. Conversely, little trading activity could result in the advisory fees exceeding the cost of the brokerage commissions charged for each trade.

### Investment Consulting Services

To the extent specifically requested by a client, DAIC may determine to provide portfolio review and investment consulting services on a stand-alone separate fee basis. DAIC's portfolio review and investment consulting service fees are negotiable, which may be higher depending upon the level and scope of the service(s) required. Prior to engaging DAIC to provide stand-alone consulting services, clients are required to enter into a Consulting Agreement with DAIC setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client prior to DAIC commencing services. If the client terminates, the balance, if any, of DAIC's fee shall be paid by the client, including the fee due for services rendered by Dunham but not previously invoiced to the client. Fees shall be prorated and charged upon termination.

### Other Expenses Regarding Dunham Funds and SMAs

*Dunham Funds.* In addition to advisory fees, mutual fund clients may incur fees for 12b-1, custodian, administrative services, transfer agent, state registration, SEC registration, ICI membership, state and city taxes, audit, printing, mailing, legal, compliance, as well as directors expenses and a portion of the Chief Compliance Officer's compensation.

*SMAs.* Clients will typically pay fees to their custodian in addition to advisory fees. Depending on the strategy in which the account invests, the account may incur brokerage fees for most equity trading, and the effect of the difference with respect to the bid/ask spread for trading in fixed income investments.

### Solicitor Agreement

DAIC enters into solicitor agreements with individuals who refer investment advisory clients to DAIC from time to time. Compensation is either based on a percentage of (i) the annual account balance; or (ii) the fees earned and received, both paid quarterly. The solicitor agreement includes a representation that the solicitor's activities comply with applicable federal or state laws.

### Rollover to IRAs

When DAIC's investment advisors provide investment advice regarding a retirement plan account or individual retirement account, the associated person is a fiduciary within the meaning

of Title I of the Employee Retirement Income Security Act (“ERISA”) and/or the Internal Revenue Code section 4975(c) (1) (IRC), as applicable, which are laws governing retirement accounts (“Qualified Account”). DAIC and its investment advisors who act as a fiduciary by providing investment advice for such retirement accounts are generally prohibited from receiving compensation unless in compliance with applicable prohibited transaction exemptions under ERISA or the IRC as authorized by the U.S. Department of Labor.

The way DAIC is compensated creates some conflicts of interests, so for retirement accounts, DAIC operates under a special rule that requires DAIC to act in the client’s best interest and not put DAIC’s or DAIC’s investment advisor’s interest ahead of the clients.

A conflict of interest exists to the extent that DAIC’s associated persons recommend that a client roll over assets from a qualified employer-sponsored retirement plan (“Employer Plan”) to an Individual Retirement Account (“IRA”) that invests in the Wrap Programs. DAIC and its associated persons receive compensation as a result of a client’s participation in the Wrap Programs and have a financial incentive to recommend the roll over.

When considering rolling over assets from an Employer Plan to an IRA a client should review and consider the advantages and disadvantages of an IRA rollover from the Employer Plan. A plan participant leaving an employer typically has four options (and may engage in a combination of these options): (1) leave the money in the former employer’s plan, if permitted; (2) rollover the assets to a new employer’s plan (if available and rollovers are permitted); (3) rollover Employer Plan assets to an IRA; or, (4) cash out the Employer Plan assets and pay the required taxes on the distribution. At a minimum, a client should consider fees and expenses, investment options, services, penalty-free withdrawals, protection from creditors and legal judgments, required minimum distributions, and employer stock. DAIC encourages clients to discuss their options and review the above listed considerations with an accountant, third-party administrator, investment advisor to your Employer Plan (if available), or legal counsel, to the extent necessary.

A client may face increased fees when he/she moves retirement assets from an Employer Plan to a Rollover IRA account. Even if there are no costs associated with the IRA rollover itself, there will be costs associated with account administration, investment management, or both. Investing in an IRA that invests in the Wrap Programs will typically be more expensive than an Employer Plan.

By recommending that a client rollover his/her Employer Plan assets to an IRA, DAIC will earn program fees and advisory fees as more fully described in the Wrap Brochure. In addition to these fees, the underlying investment in the Wrap Programs, the Dunham Funds, may charge Rule 12b-1 and sub-transfer agent fees, management fees and administrative expenses, and other charges required by law. DAIC may receive a portion of these fees. These payments are significant. This has the potential to create a conflict of interest, as it may provide an incentive for DAIC to recommend the purchase of the Dunham Funds rather than other similarly-situated mutual funds. While the Dunham Funds’ fees are competitive, they are not meant to be low-cost investment options. Fees charged by comparable third-party funds may be lower.

As a result, DAIC has an economic incentive to encourage an individual to rollover Employer Plan assets into an IRA that invests in the Wrap Programs. In contrast, leaving assets in the Employer Plan or rolling the assets to a plan sponsored by the new employer results in no

compensation to DAIC.

## **Item 6 — Performance-Based Fees and Side-By-Side Management**

DAIC offers a performance-based fee structure in its Custom Program. Detailed information about this fee structure is available in the Wrap Brochure.

## **Item 7 —Types of Clients**

### *Types of Clients*

DAIC's advisory services are generally provided to the following client types:

- Registered investment companies, primarily Dunham Funds;
- Investors utilizing the Wrap Programs;
- Investors utilizing the SMAs; and
- DTC and/or clients of DTC.

### *Account Requirements*

#### Dunham Funds

The Dunham Funds require the stated minimum account sizes to open and maintain an account:

<i>Account Requirements</i>	<i>Class A Shares</i>	<i>Class C Shares</i>	<i>Class N Shares</i>
Tax-Deferred Accounts	\$ 2,000	\$ 2,000	\$ 50,000
Regular Accounts (Taxable)	\$ 5,000	\$ 5,000	\$ 100,000

These minimums may be waived at the discretion of DAIC.

#### Wrap Programs

The Wrap Programs require the stated minimum account sizes to open and maintain an account:

<i>Account Requirements</i>	<i>Standard Program</i>	<i>Custom Program</i>
Qualified (Retirement) Account Minimum	\$ 5,000	\$ 50,000
Non-Qualified Account Minimum	\$ 10,000	\$100,000

These minimums may be waived at the discretion of DAIC, the Wrap Program sponsor.

#### SMAs

The SMAs require the stated minimum account sizes to open and maintain an account:

<i>Account Requirements</i>	<i>SMAs</i>
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Qualified (Retirement) Account Minimum	\$ 500,000
Non-Qualified Account Minimum	\$1,000,000

These minimums may be waived at the discretion of DAIC.

## **Item 8 — Methods of Analysis, Investment Strategies and Risk of Loss**

### General

Diversification via asset allocation remains at the forefront of DAIC's investment strategies. DAIC's asset allocation process seeks to optimize returns by allocating funds among different asset classes given various levels of risk tolerance. The investment process relies upon analysis of global, fundamental macroeconomic data (central bank decision-making, fixed income credit spreads, industrial output, etc.) and asset class risk-frontier research. The theory behind asset allocation is that diversification among asset classes can help reduce volatility over the long-term.

DAIC believes that investment decisions should be made in light of the longer-term scope of a full market cycle, often 3 to 5 years. DAIC's investment committee primarily decides the quarterly rebalancing of asset class-based strategic allocations, while the day-to-day investment decision-making within each mutual fund is left at the discretion of the Dunham Funds' sub-advisers.

### Dunham Funds

For descriptions of the strategies, methods of analysis, and risks of loss of any of the Dunham Funds, please refer to the respective Prospectus or Statement of Additional Information (SAI).

### Wrap Programs

For descriptions of the strategies, methods of analysis, and risks of loss of the Wrap Programs, please refer to the Wrap Brochure.

### SMAs

The following are general descriptions of current SMA investment strategies and their associated principal risks. Investing in these strategies involves a risk of loss of capital as markets can be volatile and can go down.

*ETF Asset Allocation Philosophy.* The ETF Asset Allocation Strategy is based on the premise that superior total returns can be achieved by investing in ETFs that provide exposure to four primary asset classes: (i) U.S. equity securities; (ii) alternative/hybrid securities; (iii) fixed income securities; and (iv) non-U.S. equity securities. The allocation among those asset classes will be in proportions consistent with DAIC's evaluation of the expected returns and risks of each asset class as well as the allocation that, in DAIC's view, will best meet the client's investment objective.

You should be aware that there are certain material risks associated with investing in the strategy noted above. These risks include (without limitation):

**Market Risk.** The prices of the securities are subject to the risks associated with investing in the stock market, including general economic conditions and sudden and unpredictable drops in value. Overall securities values could decline generally or could underperform other investments. An investment may lose money.

**Natural Disaster/Epidemic Risk** – Natural or environmental disasters, such as earthquakes, fires, floods, hurricanes, tsunamis, and other severe weather-related phenomena generally, and widespread disease and illness, including pandemics and epidemics (such as the novel coronavirus), have been and can be highly disruptive to economies and markets.

**Currency Risk.** Adverse changes in currency exchange rates (relative to the U.S. dollar) may erode or reverse any potential gains from investments denominated in a foreign currency or may widen existing losses. Exchange rate movements are volatile and it may not be possible to effectively hedge the currency risks of many countries.

**Emerging Markets Risks.** Emerging market countries may have relatively unstable governments, weaker economies, and less-developed legal systems which do not protect securities holders. Emerging market economies may be based on only a few industries and security issuers may be more susceptible to economic weakness and more likely to default. Emerging market securities also tend to be less liquid.

**Foreign Investing.** Investments in foreign countries are subject to currency risk and country-specific risks such as political, diplomatic, regional conflicts, terrorism, war, social and economic instability and policies that have the effect of decreasing the value of foreign securities. Foreign countries may be subject to different trading settlement practices, less government supervision, less publicly available information, limited trading markets and greater volatility than U.S. investments.

**Asset Allocation Risk.** In allocating assets, DAIC may favor markets or asset classes that perform poorly relative to other markets and asset classes. DAIC's investment analysis, its selection of investments, and its assessment of the risk/return potential of asset classes and markets may not produce the intended results and/or can lead to an investment focus that results in underperforming other investment strategies.

**ETF Risk.** ETFs are subject to investment advisory and other expenses, which will be indirectly paid by investors. As a result, the cost of investing in the strategy will be higher than the cost of investing directly in ETFs and may be higher than other mutual funds. The ETFs in which the strategy invests will not be able to replicate exactly the performance of the indices they track and the market value of ETF shares may differ from their net asset value. ETFs are subject to specific risks, depending on the nature of the fund.

**Lower-Rated Securities Risk.** Securities rated below investment-grade, sometimes called "high-yield" or "junk" bonds, are speculative investments that generally have more credit risk than higher-rated securities. Companies issuing high-yield fixed-income securities are not as strong

financially as those issuing securities with higher credit ratings and are more likely to encounter financial difficulties. Lower rated issuers are more likely to default and their securities could become worthless.

**Changing Fixed Income Market Conditions Risk.** During periods of sustained rising rates, fixed income risks will be amplified. If the U.S. Federal Reserve's Federal Open Market Committee ("FOMC") raises the federal funds interest rate target, interest rates across the U.S. financial system may rise. Rising rates tend to decrease liquidity, increase trading costs, and increase volatility, all of which make portfolio management more difficult and costly.

## **Item 9 — Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our investment advisory business or integrity of our management.

## **Item 10 — Other Financial Industry Activities and Affiliations**

DAIC is a dually registered broker-dealer and investment adviser. DAIC is a wholly-owned subsidiary of the parent company Dunham Holdings and an affiliate of DTC, Dunham & Associates Securities, Inc. ("DASI") and Asset Managers Inc. ("AMI"). Jeffrey Dunham is an officer, director, and principal shareholder of Dunham Holdings. As a registered representative, Mr. Dunham does not receive directly, sales commissions from sales of the Dunham Funds, however, DAIC may as disclosed in this brochure.

DTC is a privately held trust company licensed by the Nevada Department of Business & Industry, Financial Institutions Division. DTC provides a variety of trust and custodial services, including serving as administrator, trustee and/or investment manager of a trust. DTC generally provides investment management services through DAIC, however, may also delegate investment management to other approved financial advisors. A conflict of interest exists to the extent that DAIC's associated persons recommend that a client utilize the trust services provided by DTC. By recommending that a client utilize the trust services and such client agreeing or selecting DTC as trustee, DAIC may receive advisory fees and DTC will receive trustee and/or administration fees. These payments may be significant. In contrast, recommending that a client use another trust company results in no compensation to DAIC or DTC. DTC and DAIC mitigate any potential conflicts by providing adequate disclosures and other information to clients. DTC may also pay a portion of its administration fees to non-affiliated financial services firm(s). These payments relate to DTC's inclusion as a featured exhibitor on the financial services firm's wealth management platform. Clients pay no additional fees to DTC or to the financial advisors at these firm(s) who utilize the platform. However, these payments may create a conflict of interest by influencing the financial services firm(s) to promote DTC's trust and custodial services over another trust company. DTC also serves as custodian for certain DAIC clients.

Dunham offers a donor-advised fund to help clients with charitable giving. The Dunham Donor-Advised Fund ("Dunham DAF"), is a charitable fund that may be used for philanthropy and impact investing and is powered by University Impact ("UI"), a registered 501(c)(3) nonprofit in the United States. Dunham can facilitate the opening and management of the Dunham DAF

account with UI. A donor-advised fund account allows clients to contribute cash or other assets to a charitable account to realize potential, immediate tax benefits and then support their charities over time. UI charges fees to the Dunham DAF for administrative services in accordance with the Fee Schedule as outlined in the UI Donor Advised Fund Agreement (“Agreement”). Accounts are required to maintain a \$1,000 minimum balance to support investment fees as explained in the Agreement. There may be additional fees charged by the Financial Advisor that are separate from UI’s administrative and impact investment fees. Contributions to the Dunham DAF are irrevocable contributions made to UI, a public charity.

Assets contributed to the Dunham DAF (once liquidated, if applicable) will be invested in the Dunham Asset Allocation Program sponsored by Dunham. Investment allocations may be changed according to Dunham’s standard policies and procedures. UI may hold up to 5% of the Dunham DAF assets in non-interest bearing cash at any time.

As the Program Sponsor, Dunham charges each donor a single service program fee (“Program Fee”) not exceeding 0.25% of the average daily net asset value of the account. In addition, a Financial Advisor may charge a donor an asset-based advisory fee (“Advisory Fee”) as specified in the Advisory Agreement.

If a Financial Advisor is no longer willing or able to advise on distributions for charitable giving and no successor financial advisor is named, provided that certain conditions are met, DAIC’s affiliate DTC will assume responsibility for grant making as outlined in the DAF Agreement. A conflict of interest exists to the extent that donated assets may stay longer in the Dunham Dunham DAF absent of specific instructions on file, resulting in compensation to DAIC as described above. DAIC mitigates any potential conflicts by providing adequate disclosures and other information to clients.

As investment adviser to the Dunham Funds, Dunham receives the investment advisory compensation described in the Dunham Funds’ prospectuses and such fees are borne by all shareholders in the Dunham Funds, including the donor. These payments may be significant. A conflict of interest exists to the extent that DAIC’s associated persons recommend that a client utilize the Dunham DAF. In contrast, recommending that a client use another donor advised fund results in no compensation to DAIC. DAIC mitigates any potential conflicts by providing adequate disclosures and other information to clients.

DASI may have previously identified proprietary opportunities to invest in securities products, either directly or through Dunham Holdings. In addition, clients of DAIC may have invested along with DASI in such securities products. As a result, DAIC or its associated persons may have access to insider information or to non-public information that is not generally available to other investors. In an effort to reduce any possible conflict of interest, Mr. Dunham is subject to a Code of Ethics and Insider Trading Policy that prevents him from using this information to his advantage. Mr. Dunham may operate in various capacities including, but not limited to, as an investment advisor recommending the purchase or sale of securities products, which poses a conflict of interest. DAIC addresses this potential conflict by providing adequate disclosures.

DAIC, in its capacity as a broker-dealer, may recommend that a client invest in a trust deed. DAIC previously served as investment adviser and distributor for four private funds (the “Private Funds”). The Private Funds invested in first and second trust deeds. Individuals who are also

clients of DAIC may acquire a smaller interest in a trust deed (“fractionalized trust deed”) from a Private Fund in private transactions. This may result in a conflict of interest because DAIC must act in the best interests of both the Private Fund and the individual purchasing the fractionalized trust deed, which may have competing interests. For example, since the Private Funds are in the process of liquidating, DAIC and its affiliates (including Mr. Dunham) may be incentivized to facilitate investment in fractionalized trust deeds in order to quicken the pace of liquidation and distributions to AMI or an affiliate. To the extent that the Private Fund holds a majority of the interest in the fractionalized trust deed, the Private Fund is entitled to take certain actions, such as to commence and direct proceeding about the investment regardless if the other investors agree with such decisions. In addition, DAIC is conflicted in the following ways: (i) recommending that a client liquidate lower risk investments (such as Dunham Mutual Funds, third-party mutual funds or other assets) to raise funds to invest in the trust deed; and (ii) foregoing the opportunity to invest in an alternative trust deed or other investment that has more attractive terms (e.g., interest rate, collateralization, etc.) to the client than the trust deed. Finally, the Private Funds may have access to insider information or non-public information that is not generally available to other investors about the fractionalized trust deeds. DAIC mitigates any potential conflicts by providing adequate disclosures and other information to clients.

DAIC, in its capacity as a broker-dealer, may recommend that a client invest in promissory notes issued by Dunham Holdings and/or its affiliates. Dunham Holdings and its affiliates may periodically borrow money in private transactions from individuals who are clients of DAIC. The notes create a conflict of interest because of Mr. Dunham’s ownership of Dunham Holdings and Mr. Dunham is an indirect beneficiary of the loans. Mr. Dunham must make full disclosure of all material conflicts of interest to a client that could affect the relationship. Such conflicts include the following: (i) recommending the client to liquidate lower risk investments (such as Dunham Mutual Funds) to raise funds to invest in the note; (ii) foregoing the opportunity to invest in an alternative loan or other investment that has more attractive terms (e.g., interest rate, collateralization, etc.) to the client than the note; (iii) strong incentive to negotiate the most advantageous terms (e.g., lowest possible interest rate) of the note in favor of the borrower as opposed to the client; and (iv) inability to provide client with impartial guidance in the event the borrower encounters financial difficulties and needs to restructure or re-negotiate the note. Dunham Holdings and its affiliates address these conflicts by providing adequate disclosures, financial and other information to clients at the time of the loan. The terms of the notes as well as any conflicts are reviewed by the Chief Compliance Officer of DAIC.

DAIC may also pay a portion of its compensation to non-affiliated registered investment advisers. This compensation varies from 5 basis points to 25 basis points and is based on the total dollar amount of client assets in the flat and performance-based fee options of the Custom Program.<sup>1</sup> Clients pay no additional fees to DAIC or to the advisors who participate in this program. However, these payments may create a conflict of interest by influencing the advisor to invest in the Custom Program over another investment.

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<sup>1</sup> For client assets in the Custom Program prior to October 1, 2019, the compensation is based **only** on the total dollar amount in the performance-based fee option.

DAIC, in its capacity as a broker-dealer, may recommend that a client invest in interests in limited liability companies (“LLCs”) investing in real estate. Such investments are illiquid and have not been registered pursuant to the Securities Act of 1933. Prior to investing, a client must qualify as a “qualified” investor (as defined by applicable law and rules and regulations) and acknowledge that he or she is aware of the various risk factors and conflicts associated with such an investment. Mr. Dunham and certain related parties may in the future or currently have personally invested in a LLC they also recommend to a client. Chad Dunham and/ or Rex Dunham (Mr. Dunham’s son(s)) receive a membership interest in the LLC for identifying the property, negotiating the purchase of the property and negotiating the leases with tenants. Chad Dunham and/ or Rex Dunham also serve as Manager of the LLC and receive a management fee based on a certain percentage of the gross rents for on-going management of the property and LLC. AMI (an affiliate of DAIC) receives a membership interest in the LLC for conducting due diligence on the property, assisting with bridge loan financing, loan servicing and resolving any issues that arise as a result. This creates a natural conflict of interest in that their personal investment may motivate them to recommend the LLC over other private placement investments they have not personally invested in but may be better suited for you.

In addition, DAIC is conflicted in the following ways: (i) recommending that a client liquidate lower risk investments (such as Dunham Mutual Funds, third-party mutual funds or other assets) to raise funds to invest in the LLC; and (ii) foregoing the opportunity to invest in an alternative LLC or other investment that has more attractive terms (e.g., distributions) to the client than the LLC. DAIC mitigates any potential conflicts by providing adequate disclosures and other information to clients.

#### **Item 11 — Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

DAIC takes issues of regulatory compliance, fiduciary responsibility and public trust seriously. DAIC seeks the highest standards of ethics and conduct in all of its business relationships. DAIC’s Code of Ethics (“Code”) seeks to deter wrongdoing and (1) promote compliance with applicable governmental laws, rules and regulations, (2) provide standards of honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest, (3) require all access persons to promptly report for review, personal transactions and holdings, (4) facilitate prompt internal reporting of violations of this Code, and (5) providing accountability for adherence to this Code. DAIC will provide a copy of its full Code to any client or prospective client upon request.

No employee or registered personnel of DAIC or its affiliates shall take action with regard to securities for themselves, DAIC, or any client account unless they are certain that the information in their possession is available to the investing public.

The Code imposes restrictions on the purchase or sale by access persons of securities for their own accounts and accounts in which he/she has a beneficial interest. Subject to the Code, certain employees of DAIC may recommend to clients the discretionary purchase or sale of securities in which DAIC’s employees may have a beneficial interest. The Code includes preclearance of personal trades and reporting requirements.

In addition, the Code prohibits employees from investing in initial public offerings and limits their ability to invest in private placements by requiring the preapproval of the Chief Compliance Officer. Finally, all DAIC access persons must certify annually their acknowledgment of and adherence to the Code and DAIC's policy on insider trading.

## **Item 12 — Brokerage Practices**

### Dunham Funds and Wrap Programs

This item is generally not applicable to the Dunham Funds or the Wrap Programs. As DAIC utilizes a manager-of-managers asset allocation process, it does not directly decide the selection of securities or cash within a given mutual fund. Rather, it utilizes the expertise of each Fund's sub-adviser, with each being uniquely knowledgeable in its respective asset class. DAIC monitors each sub-adviser's investment process and results and may replace a sub-adviser should it find extended style drift or lacking performance (relative to both peers and the applicable benchmark). However, sub-advisers are required to submit quarterly reports respecting commissions on portfolio transactions, soft dollar arrangements and best execution procedures to ensure that they are executing trades in a timely and cost effective manner.

### SMA's

When DAIC selects or recommends a broker-dealer for transactions, DAIC considers a number of factors regarding the broker-dealer and the reasonableness of its compensation. The factors DAIC considers in selecting a broker-dealer and determining the reasonableness of its compensation include:

- Security price and spreads;
- Commission rates, if applicable;
- Size of the order;
- Nature and extent of services and frequency of coverage;
- Integrity, reputation, financial responsibility and stability;
- Market knowledge and ability to understand trading characteristics of the security and an overall performance;
- Ability to execute in desired volume and to act on a confidential basis;
- Willingness to commit capital;
- Access to underwritten offerings and secondary markets; and
- Operational efficiency and facilities made available including trading networks, access to multiple brokers and markets, and significant resources for positioning as principals.

For clients that invest through the SMA's, the fee charged covers trade and execution services.

## **Item 13 — Review of Accounts**

### General

DAIC reviews client accounts on a periodic basis. Reviewers include members of the portfolio management team, authorized persons, the Investment Committee, and/or the compliance

department.

### Dunham Funds

The Board of Trustees of Dunham Funds receives regular reports in addition to the information included in the annual and semi-annual shareholder reports.

### Wrap Programs

For the Wrap Programs, clients receive monthly and/or quarterly account statements which include current valuation of assets. Clients may request special reports (i.e., performance reviews) to be delivered on a regular basis or as needed or may access such information themselves on the Dunham Portal.

### SMA's

Clients receive quarterly reports. These reports typically contain the total return for each account held by the client which is calculated on the basis of net asset value plus dividend and interest income, and in cases where required by clients, comparisons to appropriate benchmark indices.

### Investment Consulting Services

DAIC will meet on a periodic basis, but no less frequently than annually, with clients who receive portfolio review and investment consulting services.

## **Item 14 — Client Referrals and Other Compensation**

DAIC may pay a non-affiliated third party ("Solicitor") a fee or compensation for referral of a client. The Solicitor is required to provide prospective clients with a current copy of DAIC's brochure and the Solicitor's written disclosure statement. The Solicitor's statement will disclose the particulars of the referral relationship and the compensation DAIC will pay to the Solicitor.

DTC enters into referral agreements with broker-dealers, registered investment advisers, CPAs or other professionals ("Financial Professionals") for the referral of potential clients for trust services. In all cases there will be a written agreement between DTC and the Financial Professionals making the referral which shall stipulate the compensation payable, and the activities permitted, among other specifics. In addition, associated persons at DAIC generally receive between \$500 and \$5,000 and potentially additional compensation based on the estimated annual fees for account referrals over a certain fee threshold, subject to the annual compensation plan, for each trust they help establish at DTC for clients of these Financial Professionals. This creates a conflict of interest, as it provides an incentive for both the associated persons at DAIC and the Financial Professionals to recommend DTC rather than another trust company. DTC mitigates any potential conflicts by providing adequate disclosures and other information to clients.

## **Item 15 — Custody**

### Dunham Funds



The assets of the Dunham Funds are custodied at US Bank, N.A.

### Wrap Programs

For the Standard Program, the Dunham Funds' transfer agent, Gemini, serves as the custodian for Funds' shares held in a client account. For the Custom Program, DTC serves as the custodian for Funds' shares held in a client account. Clients shall be responsible for paying any additional (non-Program) fees or charges of the custodian, including transaction fees, IRA custodial fees and trading costs, if applicable. Clients will receive, at least quarterly, statements from the client selected, non-affiliated broker-dealer or financial institution custodian or DTC, as applicable.

### SMAs

DTC serves as custodian of account assets. Clients shall be responsible for paying any additional fees or charges of the custodian, including transaction fees, IRA custodial fees and trading costs, if applicable. Clients will receive quarterly statements from DTC.

### Interests in LLCs

Because a related party serves as manager of the LLCs, DAIC is deemed to have indirect "custody" of the LLCs within the meaning of Rule 206(4)-2 under the Advisers Act. For these LLCs, investors receive audited financial statements that comply with U.S. generally accepted accounting practices within 120 days following the LLC's fiscal year end.

## **Item 16 — Investment Discretion**

DAIC manages securities accounts on a discretionary or non-discretionary basis as instructed by the client. Prior to assuming management over a client's assets, DAIC enters into an investment management agreement or other agreement that explains the scope of DAIC's authority.

## **Item 17 — Voting Client Securities**

### Dunham Funds

The Board of Trustees of the Dunham Funds has delegated responsibilities for decisions regarding proxy voting for securities held by each Fund to the Fund's respective Sub-Adviser. The Sub-Advisers will vote such proxies in accordance with their proxy voting policies and procedures. Each Sub-Adviser's proxy voting policies and procedures are attached as Appendix B to the Dunham Funds' SAI. The actual voting records relating to portfolio securities for each Fund during the most recent 12-month period ended June 30 is available without charge, upon request by calling toll-free, (888) 3DUNHAM or by accessing the SEC's website at [www.sec.gov](http://www.sec.gov).

### SMAs

DAIC will accept proxy voting authority from our clients, and follow its Proxy Voting Policy,

which is summarized below. If DAIC has accepted proxy voting authority from the client, DAIC does not provide the client the option to direct a proxy vote with respect to a particular solicitation. DAIC does, however, agree with some clients to use their general proxy voting guidelines when voting proxies on their behalf.

Some of DAIC's clients do not give DAIC the authority to vote proxies on their behalf, choosing to vote proxies themselves. Those clients will likely receive proxy solicitations from a custodian and transfer agent, and not through DAIC.

DAIC has adopted a Proxy Voting Policy. This Policy is designed to ensure that all proxies are voted in the best interest of clients without regard to DAIC's interests or the interests of its affiliates.

To assist DAIC in researching and voting proxies, DAIC has engaged ProxyEdge which is a third party proxy service provider. Where a client has contractually delegated proxy voting authority to DAIC, DAIC votes proxies in accordance with management unless a conflict of interest exists or an issue of unusual circumstance is raised with a proxy. In these circumstances, the proxy will be presented to the Investment Portfolio Manager and/or Investment Committee for instruction.

All clients may obtain a copy of DAIC's Proxy Voting Policy by contacting the Chief Compliance Officer at 858-964-0500.

#### Other

From time to time, DAIC may receive proxies and notices of corporate actions on non-Dunham assets held in a client's account. In these instances, DAIC reaches out and contacts the client to seek voting instructions pursuant to its internal Proxy Voting Operating Procedures.

### **Item 18 — Financial Information**

DAIC does not require the prepayment of fees six months or more in advance.

DAIC has never been the subject of a bankruptcy petition and there is no condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

### **Item 19 — Requirements for State-Registered Advisers**

Not applicable.